
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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Continuing Education Article The Form 103-N and the Form 103-O February, 2003

Throughout the State of Indiana, businesses and individuals hold personal property that belongs to someone else. Examples of this type of arrangement would include, but not be limited to: the leasing of equipment, the warehousing of inventory, the sales of consigned inventory and the rental of year-round campsites for RVs or campers at a campgrounds.

Both parties should file a personal property tax return on these assets and disclose which party is responsible for the payment of the property taxes on it. The Form 103-N should be filed by the party that does not own the assets while the Form 103-O should be filed by the party who owns it. These forms have two schedules. Schedule 1 of both forms should be used when the asset is to be assessed to the owner. Schedule 2 should be used when the asset is to be assessed to the party in possession of the asset.

The use of these forms by both parties serves many purposes. There are times when both parties report the asset as assessable to them self, which creates a double assessment. When both parties fully disclose the arrangement with the use of these forms, the local assessing officials may be able to discover the mistake, while reviewing the personal property returns, and correct it. There are other times when both parties fill out the forms and report that the asset is to be assessed to the other party. This means that the asset has not been assessed to either party. In this situation, the local assessing officials will request a copy of the legal agreement between the two parties. This agreement usually contains language that addresses which party is responsible for the payment of taxes.

Another important function of the Form 103-N is when the person who does not own the asset wishes to have the asset properly assessed to the owner of the asset.

Indiana law states that the person who possesses the asset is liable for the taxes on the asset until he/she properly discloses the pertinent information necessary for the local assessing officials to verify that the owner has filed a personal property tax return on the asset. (IC 6-1.1-2-4)

As a common courtesy to the other party, it is recommended that when one party files the form reporting the asset as assessable to the other party, this party should make the other party aware that such a form was filed. Many times, the other party does not file a personal property tax return on this asset. This usually means that the local assessing official will place an estimated assessment on the asset. Penalties are also attached to this estimated assessment.

There are also instances where the party in possession of inventory files a personal property tax return and discloses that the inventory is to be assessed to the owner. The owner of the inventory believes that this inventory is exempt and fails to file a personal property tax return. Indiana law states that an exemption is a privilege, which may be waived by a person who owns tangible property that would qualify for the exemption. If the owner does not comply with the statutory procedures for obtaining an exemption, he waives the exemption. If the exemption is waived, the property is subject to taxation (IC 6-1.1-11-1). Complying with statutory procedures means that the taxpayer shall file a timely personal property tax return, report the inventory, and claim the exemption. This procedure is necessary even if the assessed value calculated is zero.